

State Board of Equalization

**OPERATIONS MEMO**

For Public Release

No : 1176

Date: November 17, 2010

**SUBJECT: Team Audits**

**I. INTRODUCTION**

Traditionally, the Board of Equalization (BOE) has used a one auditor per audit approach; however, some audits have been conducted with the help of an “assistant.” As new technologies, business processes, practices, environments, and types of business organizations emerge, the BOE, as a taxing agency, must adapt its technologies and audit practices with this change. The BOE also has a duty and an obligation to utilize its audit resources in the most effective and efficient manner possible. Therefore to accelerate the completion of audits, the BOE Sales and Use Tax Department has implemented a team audit approach. However, not all audits may be conducive or require the audit team approach and use of a team audit will be at the discretion of the audit supervisors and/or District Principal Auditor (DPA). The team audit approach described in this Operations Memo also applies to the Special Taxes and Fees Division’s Audit Examination Branch.

Implementation of the team audit approach is beneficial to both the BOE and the taxpayer as it provides for a more efficient and effective audit program. Team auditing will increase productivity by reducing the time necessary to complete an audit which ultimately decreases the disruption to the taxpayer’s operations.

The team audit approach consists of one lead auditor and one or more audit team members who will remain working on the audit through completion. This allows the lead auditor to manage audit workload and timeframes within the time constraints of each audit. The team audit approach also allows less experienced audit staff to participate in auditing the large and complex businesses that they would not otherwise experience early in their career. Thus, team auditing is also an effective and efficient training tool that will prepare and train audit staff to conduct these types of audits in the future.

**A. District Audit Workload**

Once accounts are selected for audit and prioritized, each district office should review their available audit cases for application of the team audit approach. A list of viable audit cases should be developed at the beginning of each fiscal year and worked according to priority. Regular meetings between the DPA and the audit supervisors should be held to ensure priority audits are addressed. Neighboring districts should work

cooperatively and seek assistance from one another to ensure that priority work is planned for, managed, and conducted in a timely manner.

## **B. Selecting Audit Teams**

The audit team will consist of one lead auditor and one or more audit team members. Audit teams may be comprised of auditors from any classification. Audit supervisors should meet regularly to discuss the availability of audit staff in relation to the scheduled audits. The audit supervisors, in conjunction with the DPA, will assign the lead auditor, determine the number of audit team members required for a specific audit, and decide which auditors will participate on any given audit team. The number of audit teams should be equally distributed between supervisors when possible. If an audit team consists of auditors from various audit crews, the supervisor of the lead auditor is the designated supervisor for that respective audit team.

Additional guidelines when selecting audit teams are as follows:

- Lead auditors and audit team members should be selected who will encourage each other to be focused and productive.
- Less experienced auditors should initially be assigned to work on the smaller, less complex segments of the larger or medium sized audits. As the less experienced auditors progress, they should be assigned more complex segments of the audit to complete.
- The lead auditor and the audit team members will be assigned an audit through its completion.
- Each audit team member should be assigned a specific area(s) or segment(s) within the audit to complete.
- Not all audit team members must be present at a taxpayer's location at the same time for a specific appointment. However, the audit team members should be aware of their workload within any given audit and the timeframe within which to complete designated topic, area, or segment.
- For continuity between audits, a previous audit team member may be assigned as the lead auditor on a subsequent audit of the same taxpayer. However, the lead auditor of the prior audit may not be assigned as the lead auditor in the subsequent audit of that same taxpayer.
- Smaller audits may also be conducive to the team auditing approach; however, smaller audits may require fewer audit team members than larger audits. Smaller audits should also be considered as training audits for new audit staff.
- Auditors may work on more than one team audit concurrently.
- Auditors who are assigned as audit team members on large assignments may also be assigned to work on their own smaller, individual audits as time permits.

## II. ROLE OF AUDIT SUPERVISOR

The role of the audit supervisor in team auditing cannot be over-emphasized, especially when an office has multiple audit crews with audit team members crossing supervisory lines. Audit supervisors should work closely together to establish the best audit team possible for each audit.

### A. Planning/Reviewing

To assist the audit team in effective planning, the audit supervisor should:

- Communicate the goals of the audit to the lead auditor and the audit team members to keep them focused on completing the audit timely;
- Provide adequate resources to assist in the timely completion of the audit;
- Ensure the appropriate delegation of tasks to not only complete the audit, but to further develop audit team members' audit skills; and
- Work with the lead auditor to review the prior audit and other completed audit assignments that will help identify successful audit techniques and avoid those that are less productive.

The audit supervisor will be responsible for reviewing and/or approving the following during the course of the audit:

- **Audit Plan**— The audit supervisor is required to review and sign all drafts of the audit plan prior to it being submitted to the taxpayer. The audit supervisor should also make a comment on the BOE-414-Z documenting their approval.
- **Information Document Request (IDRs)**—The audit supervisor is required to review each initial IDR to ensure it is prepared correctly and to ensure the information being requested by the audit team is reasonable and relevant to the area being reviewed, and the information requested is being provided by the taxpayer as stipulated in the IDRs. If it is necessary to issue a second IDR requesting the same records as an initial IDR, the audit supervisor is required to review and sign the second IDR, which should provide an explanation of the relevance of the records being requested. The audit supervisor should document their review of each IDR on form BOE-414-Z, *Assignment Activity History*.
- **Audit Findings Presentation Sheets (AFPSs)**— In a team audit, the lead auditor should review and approve all AFPSs before presentation to the taxpayer. If an issue is controversial or complex, an AFPS, along with the related audit working papers should be reviewed by the audit supervisor prior to providing the AFPS to the taxpayer. Early review of any AFPSs by the supervisor will reduce the time spent by the supervisor in reviewing the entire audit package at the end of the audit.
- **Waiver of Limitations (form BOE-122)**—The audit supervisor should ensure that no periods within the audit expire under the statute of limitations and the taxpayer does not request any unreasonable delays in completing the audit.

- **BOE-414-Z, *Assignment Activity History***— The audit supervisor should provide all team members, including the computer audit specialist (CAS), access to the team audit's BOE-414-Z. The audit supervisor should review the BOE-414-Z on a regular basis to stay current on the audit's progress and provide guidance to complete the audit timely.
- **Formal Notice and Demand Letter**—The audit supervisor will review the formal demand for the production of books and records prior to submission to the DPA for approval and signature.
- **Subpoena Requests**—The audit supervisor and DPA will review all subpoena requests prior to submission to the District Administrator for approval and signature.

## **B. Budgeted Hours/Time Management**

The audit supervisor will assign the initial budgeted hours for all new audit assignments. When setting budgeted hours for team audits, the audit supervisor should:

- Establish initial budgeted hours for audit assignments of accounts with no prior audit history by using historical hours per audit by industry, auditor experience, and other relevant factors.
- Establish budgeted hours based on hours spent on the prior audit in combination with the factors noted above if an audit assignment has a prior audit of the taxpayer's business.
- Have the flexibility to assign initial budgeted hours that differ from the average in-state and out-of-state hours.
- After the completion of the audit, review the variance, if any, between budgeted and actual hours, and discuss with the audit team the lessons learned, both positive and negative, so that future audits can duplicate successful techniques and procedures, and avoid those that were less productive or less efficient.

## **C. Communication**

To assist the lead auditor and audit team members in maintaining effective communication in the audit, the audit supervisor should:

- Arrange for one-on-one meetings with the lead auditor and/or audit team members when necessary;
- Keep *Outlook* calendars up to date in the event a meeting needs to be scheduled;
- Attend the pre-audit conference, opening conference, any status conferences, as well as the exit conference with the taxpayer when available;
- Oversee the development and mailing of correspondence to taxpayers (owners, corporate officers) where the taxpayer's representative(s) delays the audit by not providing the necessary books and records or when requested information is not furnished on a timely basis; and

- Hold regular status meetings each month with staff to ensure the audit team stays on track for the timely completion of the audit. The meetings should include discussions on current audit findings, foreseeable audit and scheduling issues, and the overall progress of the audit. Status meetings are also an appropriate time for the audit supervisor to review required forms such as the audit plan, IDRs, AFPSs, waivers, and the BOE-414-Z. Audit team members should be prepared to provide a copy of their BOE-609-A, *Auditor's Time Report*, for review by the audit supervisor and lead auditor. Budgeted hours and any necessary amendments should also be discussed. These regular status meetings will help ensure the audit team stays on track for timely completion of the audit.

With respect to field visits, the audit supervisor should:

- Make their presence known to the taxpayer as early on in the audit as possible. The presence of the audit supervisor at the taxpayer's location during an audit imparts a sense of urgency to expedite the audit process and lends credence to the work being performed by the lead auditor and the audit team members.
- Visit the business location on a regular basis, where feasible, to review the progress being made and to answer any questions that may arise.
- Allow the lead auditor to be in control of the pre-audit conference, opening conference, status conferences, and the exit conference with the taxpayer. However, the audit supervisor should be present to offer assistance and answer questions.
- Introduce the next audit team. If a subsequent audit is scheduled during the last field visit or at the exit conference, the audit supervisor should bring in the next team of auditors and introduce them to the taxpayer or taxpayer's representative to establish the next audit cycle. The supervisor should attempt to retain one or more of the prior audit team members as part of the new audit team.

### **III. ROLE OF LEAD AUDITOR**

The lead auditor will set and communicate the goals of the audit, organize the work, and ensure adherence to timelines. The lead auditor will listen objectively and communicate expectations and instructions to both taxpayers and audit team members. The lead auditor should also encourage a cooperative, productive, and positive atmosphere while promoting adherence to BOE policies and procedures.

The lead auditor is responsible for the overall management of the audit and is involved in the decision making in all aspects of the audit. The lead auditor:

- Acts as the main contact person and liaison between taxpayer and BOE during the audit;
- Interacts with various levels of professional and managerial staff;
- Distributes, prioritizes, and reviews the work of audit team members; and
- Communicates and negotiates with taxpayers on sensitive issues and problems.

The lead auditor is a role model and should:

- Be professional in all interactions with taxpayers, representatives, supervisors, and other audit team members;
- Provide guidance to audit team members on complex tax and audit issues; and
- Promote and develop the strengths in each audit team member, thereby improving their skills.

#### **A. Planning/Reviewing**

##### Overview

The lead auditor is responsible for reviewing the taxpayer's history and prior audit(s) and determining the scope of the expected audit. This generally takes place in the period prior to the opening conference when the auditor performs most of the preliminary overview work. This includes analyzing tax returns, transcripts, the taxpayer's account (including ownership); reviewing the prior audit history; researching the business and industry; and performing other information gathering techniques that provide the auditor with a better understanding of the taxpayer's business and potential audit issues.

##### Audit Plan

An audit plan is required on all audits. The lead auditor is responsible for the development of a detailed audit plan for each assignment. The lead auditor should develop an audit plan that strives for completion of an audit within a two-year timeframe, where applicable, commencing with the date of the opening conference and ending with the date of the exit conference. While most audits will be completed in a much shorter timeframe, others may require a period beyond two years.

The audit plan should include all areas under audit: the audit procedures to be used, timeframes, deadlines and estimated completion dates. The lead auditor should:

- Discuss the audit plan with the audit supervisor and audit team members;
- Assign the tasks within the audit plan to the audit team members;
- Make audit team members aware of all audit appointments and whether or not they are expected to be present;
- Work with the audit supervisor to develop budgeted hours for the audit and/or for each member of the team, or for each area of the audit for which they are assigned;
- Present the audit plan to the audit supervisor for review and signature prior to it being submitted to the taxpayer; and
- Discuss and provide a copy of the draft audit plan to the taxpayer at the opening conference, or when necessary for the auditor to first review the taxpayer's records, within 30 days from the opening conference.

### Contact with Computer Audit Specialist (CAS)

The lead auditor should consult with the CAS during the planning stages and throughout the audit as deemed necessary to determine the electronic records that are needed and to prepare appropriate sampling plans (see section V, *Role of the Computer Audit Specialist*). While considered a member of the audit team, the CAS will serve in a consulting capacity while the lead auditor is responsible for making decisions regarding the audit approach. Additional guidelines with respect to working with the CAS are as follows:

- The lead auditor should introduce the CAS to the taxpayer at the pre-audit conference.
- The taxpayer may address specific technical questions regarding the data to the CAS; however, the taxpayer should be made aware that all questions and issues related to the audit approach and scope of work should be discussed with the lead auditor.
- The lead auditor should routinely follow-up with the CAS on the status of the taxpayer's electronic data analysis.

## **B. Budgeted Hours/Time Management**

### Budgeted Hours

The lead auditor should work with the audit supervisor to determine the budgeted hours for each assignment. The budgeted hours should be based on factors such as the size and complexity of the business, number of audit team members, and the hours used in prior audits. While the audit supervisor will ultimately set the initial budgeted hours during the planning stage, it is the responsibility of the lead auditor to approach the audit supervisor to discuss any changes in the audit plan that will affect the actual number of hours on the audit. Through discussion with the audit supervisor, the estimated number of hours may be revised based on changing circumstances in the audit.

### Overall Time Management

The lead auditor is responsible for the overall time management of the audit. Some general time management techniques include continuous monitoring of the audit, establishing reasonable timeframes for the taxpayer and audit team members, setting deadlines, confirming deadlines in writing, and following-up on those deadlines. Additional time management procedures the lead auditor should use include, but are not limited to:

- Scheduling a pre-audit conference (where applicable);
- Adhering to the timelines set forth in the audit plan (or amended audit plan), and ensuring adequate resources to do so;
- Ensuring audit team members are aware of audit appointments and whether or not they are expected to be present;
- Ensuring audit team members have adequate work and are actively working towards completing their assigned area of the audit timely;
- Holding regular status conferences with the taxpayer;

- Holding regular status meetings with audit team members and holding all audit team members accountable for their assigned audit areas and timeframes;
- Comparing the BOE-609-A, *Auditor's Time Report*, of each audit team member with the audit plan and discussing this with the audit supervisor to make sure the hours are reasonable for the work performed; and
- Preparing timely status reports on all audits for supervisor/management review.

#### Preparation of Information Document Requests (IDRs)

When a taxpayer or their representative fails or refuses to provide records and/or supporting information/documents in response to verbal requests for the same records, (or when otherwise appropriate), the lead auditor is responsible for preparing and tracking IDRs. However, before proceeding with the IDR process, taxpayers should be allowed to comply with verbal requests for information/documents. The lead auditor has the discretion to determine reasonable response times for verbal requests.

As part of the IDR process, the lead auditor should:

- Prepare, maintain, and track all IDRs issued during the course of the audit;
- Sign the initial IDR before issuance to the taxpayer;
- Ensure all IDRs are presented to the audit supervisor for review;
- Timely follow-up with the taxpayer within 30 days on all IDR responses received from the taxpayer;
- Notify the audit supervisor if any IDRs are not responded to in full;
- Assist in the preparation of any *Formal Notice and Demand* letters that may be appropriate if the taxpayer fails or refuses to provide the requested information as stipulated in the initial IDR and the second IDR; and
- Prepare the request for a subpoena for the production of books and records for the audit supervisor's and DPA's review and district administrator's approval, when appropriate.
- Document all verbal and IDR requests on the BOE-414-Z.

#### Preparation of Audit Findings Presentation Sheets (AFPSs)

During the course of an audit, one or more areas may be completed prior to the completion of the audit as a whole. An AFPS should be prepared for each area upon completion and provided to the taxpayer. The following guidelines should be followed when preparing AFPSs in a team audit:

- The audit team member responsible for their respective segment or area will complete the appropriate AFPS,
- The lead auditor must review all AFPSs with audit team members before presentation to the taxpayer. If an issue is controversial or complex, an AFPS along with the related audit working papers should be reviewed by the audit supervisor prior to providing the AFPS to the taxpayer.



- The audit team member responsible for the respective audit segment or area should participate with the lead auditor in the discussion of the AFPS with the taxpayer, if available. The lead auditor should be present to answer any questions and to assist in the resolution of non-concurred issues.
- In general, within 30 days of the taxpayer providing additional information in response to an AFPS, the lead auditor must notify the taxpayer if an adjustment to the audit is warranted based upon the information provided. It is the duty of the lead auditor to notify the audit supervisor and taxpayer if this timeframe cannot be met.

### **C. Communication**

The lead auditor's communication skills are key to an effective team audit. The lead auditor is the central communication point between the taxpayer, the audit supervisor, and audit team members. To ensure effective communication in the audit, the lead auditor must:

- Keep their *Outlook* calendar up-to-date;
- Periodically discuss the status of the audit with the audit supervisor (at least monthly);
- Provide prompt responses to the audit supervisor's questions and requests;
- Continually communicate with team members;
- Ensure all audit team members are aware of all audit appointments and whether or not they are expected to be present;
- Make regular, appropriate, and timely BOE-414-Z comments (at least weekly, or when appropriate) and ensure audit team members do the same;
- Keep the taxpayer continually informed of the status of the audit and prepare appropriate written correspondence when necessary;
- Prepare timely IDRs;
- Coordinate the preparation and presentation of AFPSs;
- Ensure audit team members provide prompt responses to the reviewer's questions or "go-backs" on a timely basis; and
- Regularly communicate with other lead auditors in the office or other districts to discuss experiences and difficulties encountered, and share ideas for successful team audits.

### **D. Working With Audit Team Members**

The lead auditor should delegate tasks and assignments in a way that enables work to be completed efficiently and that challenges and develops audit team members. Audit team member duties and responsibilities should be appropriate for each classification, knowledge and experience level. This does not preclude experienced audit team members or the lead auditor, however, from performing basic verification work should

the need arise. Lead auditors are expected to work along side the audit team members for the timely completion of an audit and not simply delegate work.

Additional guidelines when working with audit team members are as follows:

- The audit team members should participate in developing the audit plan.
- Audit team members should be made aware of all audit appointments, and be asked to attend all conferences with the taxpayer regarding the area in which they worked whenever possible.
- Audit team members should back up their work on the J drive as necessary, but at least once a week. However, the audit team members should provide the lead auditor with an electronic copy of the work they completed at the end of the field visit, or when any changes to the schedules or workpapers are made throughout the course of the audit. The lead auditor should always maintain a complete set of the most current electronic audit workpapers.
- When an audit team member has finished their specific audit area, they should be redirected to assist on another area of the audit, or should be released to conduct other audit assignments at other taxpayer's locations.

The lead auditor should address and appropriately resolve minor issues regarding audit team members. The lead auditor should also provide the audit supervisor feedback, both positive and negative, regarding audit team members' performance and productivity.

#### **E. Conducting the Audit**

The tone for the audit should be set early and an open line of communication with the taxpayer should be encouraged throughout the audit process. The lead auditor should promote a collaborative relationship with the taxpayer from the inception of the audit and encourage the taxpayer's cooperative participation in the audit process.

The lead auditor is responsible for setting appointments and conducting meetings with the taxpayer. These meetings include the pre-audit, opening, status, and exit conferences. The audit team members should be present to assist the lead auditor with the meetings and whenever possible, the audit supervisor should be present. At the opening conference, the lead auditor should provide, in writing, the name and phone number of the audit supervisor and all audit team members. Changes in personnel during the course of the audit should be timely communicated to the taxpayer.

The lead auditor is responsible for securing, monitoring, and maintaining the waiver of limitations status and obtaining necessary extensions. The lead auditor should inform the supervisor of the circumstances that necessitate a request for a waiver, and ensure supervisory approval is documented on the BOE-414-Z before the waiver is presented to the taxpayer for signature. If the extension of the statute of limitations totals two years or more, approval by the District Principal Auditor will be documented on the BOE-414-Z before the waiver is presented to the taxpayer for signature.

At the conclusion of an audit, the lead auditor is responsible for compiling the audit working papers into a final product for presentation to the taxpayer. Audit team members should complete the final working papers in their assigned area and be prepared to present them to the taxpayer along with the lead auditor. This includes completing the necessary schedules, forms, and general and subsidiary comments.

#### **IV. ROLE OF AUDIT TEAM MEMBER**

The role of the audit team member is to work with the audit supervisor and lead auditor to timely complete the audit. The audit team member is not strictly limited to their tasks or assigned area(s) in the audit. A good audit team member contributes to the success of the team. They share helpful ideas and information and may go beyond what is required of them.

##### **A. Budgeted Hours/Time Management**

To assist the lead auditor in managing the time it takes to complete the audit, the audit team member should:

- Complete their assigned tasks timely and inform the lead auditor of any potential delays.
- Keep track of their hours on form BOE-609-A and be prepared to provide the lead auditor and the audit supervisor a copy of their BOE-609-A and other pertinent documents during regular status conferences.
- Compare their actual hours to the budgeted hours on the audit plan and notify the lead auditor of any possible differences.

In team audits, each area of the audit may be completed in parts rather than simultaneously. The entire team does not need to visit the taxpayer's location all at once, unless all records are available and the taxpayer has the facilities to accommodate all BOE staff assigned to the audit team. Different audit team members can be scheduled to perform fieldwork at different times. This is particularly useful when the taxpayer does not have all of the records readily available for particular areas. For example, the taxpayer may have all of the records for a sales test, but not the paid bills test. The audit team member assigned to the sales test will go to the taxpayer's location, but the audit team member assigned to the paid bills test may be working at another taxpayer's location during this time. Once the paid bills are available, the audit team member assigned to paid bills will go to the taxpayer's location to complete their area. It is not necessary for the lead auditor or other audit team members to be in the field at the same time, thus saving the BOE and the taxpayer time and resources.

Audit team members who have completed their assigned area(s) of the audit should ask for instructions from the lead auditor on the next area of the audit to be completed. Audit team members may not return to the work location of the team audit to work on audits of other taxpayers.

## **B. Communication**

During a team audit, the audit team member must effectively convey information and encourage an exchange of ideas. To achieve this, the audit team member should:

- Share helpful ideas and information with the team;
- Proactively inform the lead auditor or audit supervisor of any obstacles that may arise;
- Independently prepare complex oral and written communications;
- Possess the ability to express alternative views in a constructive manner and seek mutually beneficial solutions; and
- Work well with others, even when differences in communication style, viewpoints, or culture exist.

The audit team member should be present at all meetings and discussions for areas in which they worked whenever possible. This includes, but is not limited to, audit plan preparation, the opening, status, and exit conferences with the taxpayer, and any status conferences with the supervisor.

During the opening conference, the lead auditor and audit team members should discuss with the taxpayer who team members should contact if any questions arise in the audit. Furthermore, the lead auditor and audit team member should discuss with the taxpayer which BOE staff member the taxpayer should contact if he/she has any questions regarding the audit. Because situations are different, and taxpayers have different preferences of whom they wish to communicate with, these contacts should be established and understood by both the taxpayer and all audit team members at the beginning of the audit. These contacts should also be noted on the audit plan.

On a regular basis, each audit team member is expected to enter comments related to the audit in process on the BOE-414-Z.

When an audit team member has completed their area(s) of the audit, they must immediately inform the lead auditor so that an AFPS can be prepared. The audit team member who completed the particular area should complete the AFPS. The audit team member may conduct the actual discussion of AFPSs with the taxpayer, if necessary; however, the lead auditor should be present to answer any questions and to assist in the resolution of non-concurred issues.

## **C. Conducting the Audit**

Audit team members are assigned different areas in the audit based on their expertise and the complexity of the audit area. Such areas may include tests of resales, paid bills, test of assets, etc. The audit team member is responsible for performing those tasks, as well as completing the write-up for that particular area. This includes:

- Workpaper completion—The entire schedule should be completed including calculations and all referencing.

- Projection of error—The audit team member should complete any projection of errors associated with their assigned area.
- Schedule comments—Any comments related to individual transactions in the schedule, such as disallowed resales or purchases subject to use tax, should be completed by the audit team member.
- General comments—The general comments (Schedule 12 comments) should be completed by the audit team member who is responsible for that area.
- Go-Backs—The audit team member assigned to a particular area is responsible for answering an audit reviewer's question(s) on a Go-Back regarding that area. The audit team member is also responsible for making any required comments or corrections required by the reviewer.
- IDRs—The audit team member should assist in the preparation of document requests including IDRs and follow-up IDRs, and *Formal Notice and Demand* letters.
- AFPSs – The audit team member responsible for their respective audit segment or area will complete the appropriate AFPS; however, the lead auditor must review all AFPSs prior to presentation to the taxpayer. The audit team member should also participate in the discussion of the AFPS with the taxpayer. Any documentation provided by the taxpayer in response to an AFPS should be reviewed by the audit team member and discussed with the lead auditor as appropriate.
- Provide prompt responses to the reviewer's questions and address "go-backs" on a timely basis.

It is the responsibility of the audit team member to be aware of all areas of the audit in case they are asked to fill in for another audit team member. One purpose of the team audit approach is to respond to setbacks with minimal disruption to productivity. If an audit team member is unable to attend a conference or perform fieldwork, it is up to the other audit team members to willingly accept new assignments and change focus as demands may modify the course of the audit.

## **V. ROLE OF COMPUTER AUDIT SPECIALIST**

Use of the CAS enables audit staff and taxpayers to make more informed decisions regarding the population to be tested, sample size, stratification levels, sample representativeness, statistically proper handling of unusual sample units, sample evaluations, etc. The lead auditor is responsible for the audit as a whole. However, the CAS assigned to a specific audit is considered part of the audit team with respect to that audit and will serve as a technical consultant to the auditor(s) to assist with the electronic records and sampling. The CAS's responsibility is primarily that of: obtaining the necessary data, data processing, recommending strata breaks and sample sizes and sample selection as defined in the auditor's BOE-472 *Audit Sampling Plan*. Specific technical questions regarding the data and testing may be addressed to the CAS, however, all questions and issues related to the audit and scope of work should be discussed with the lead auditor.

The CAS should discuss with the lead auditor and/or audit supervisor what information may be necessary. If there is a prior audit, the CAS should review the prior audit working papers to determine what electronic records were provided in the prior audit. It is advantageous if the CAS can secure the records from the taxpayer prior to the beginning of the audit or any section of the audit that requires statistical sampling. The computer audit specialist should work closely with the audit team to ensure the audit flows smoothly and electronic downloads of the taxpayer's records are available when needed by the audit team.

The CAS should attend the pre-audit conference with the lead auditor, audit supervisor, and the taxpayer or taxpayer's representative to discuss the availability of electronic records prior to the start of the audit. As provided for in Audit Manual section 1304.40, a CAS must participate in the discussion of the taxpayer's books and records on all audits where the previous audit exceeded 400 hours or as deemed appropriate by the audit supervisor. The CAS should inform the taxpayer of the BOE's required format for electronic records and offer assistance should the taxpayer be unaware of how to retrieve the information requested from their own electronic records.

The CAS assigned to a specific audit team will be expected to enter comments on the BOE-414-Z. The CAS will also provide a narrative of the work performed including the records requested from the taxpayer, the date(s) the records were provided, the sampling procedures used, and any other pertinent information regarding the audit.

## **VI. OBSOLECENCE**

This Operations Memo will become obsolete when the information contained herein is incorporated into the Audit Manual.

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